CANADA-USA BILATERAL AIR AGREEMENT

REPORT ON CONSULTATIONS
with
Travel Agents, Tour Operators & Freight Forwarders

Submitted to

Alberta Transportation and Utilities
Alberta Economic Development and Trade
Alberta Tourism

by

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February, 1991

92-00104/

FOREWORD

This report has been prepared as background for the Government of Alberta's on-going dialogue with the Honourable Doug Lewis, Minister of Transport, and staff of Transport Canada regarding the 1991 Canada-United States Air Bilateral Negotiations.

The purpose of this report is to provide the views of key players in the industry whose contributions and insights are sometimes taken for granted. Travel agents, tour wholesalers, and freight forwarders not only provide service to the travelling and shipping public, they actually can in fact influence the nature of the demand for these services, and thus the way in which air carriers operate.

While this document has been approved for public release, it should be noted that its contents do not necessarily constitute the official policy of the Government of Alberta, or of the sponsoring departments.

Alberta Department of Transportation and Utilities
Policy Development Branch
March, 1991

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1.0 INTRODUCTION

The purpose of this report is to present the findings of consultations held with travel agents, tour operators, and freight forwarders from Alberta and in selected states of the USA The research was commissioned by a multi-departmental committee of the Alberta government as one of a number of research projects initiated to develop an Alberta position regarding Canada-USA air services. It is hoped that the findings will contribute to the 1991 renegotiation of the Canada-USA Bilateral Air Agreement.

1.1 Research Objectives

The objectives established to guide the consultation with travel agents, tour wholesalers and freight forwarders were:

1. Evaluate the perceived latent demand for transborder air service.

2. Solicit industry perceptions of the competitive strengths and weaknesses of Canadian and American air carriers.

3. Ascertain the importance of customs pre-clearance from the perspective of passengers.

4. Identify future trends in transborder air service.

1.2 Research Approach

The research program was implemented during January, 1991. Research was conducted with three principal groups who are active as "middlemen" in the movement of people and freight between Alberta and the USA: travel agents, tour wholesalers, and freight forwarders. Consultations were conducted with individuals from each group who were both knowledgeable and experienced with transborder air services. The people contacted were

distributed in Alberta and 10 pre-selected USA states according to Table 1. The 10 states were considered to represent market regions which are currently significant for Alberta, and those which are considered to offer potential opportunities. Key individuals from each of the three groups were identified with the assistance of Canada's Consulate offices responsible for the selected states, major North American airlines and other contacts known to the consultants. Appendix A presents the lists of the individuals who participated in the study, along with their locations. The information received from the consultative process is qualitative, but given the procedures used in developing the sample, the opinions expressed are considered to be representative for the three respondent groups.

Table 1:
Summary of Interview Distribution

	US	Alberta	Total
Travel Agents	60	12	72
Tour Wholesalers	20	10	30
Freight Forwarders	30	12	42
	110	34	144

The consultation process employed a three-stage approach. From a review of various secondary documentation made available to the consultants, an initial list of key issues was prepared. These were then discussed with 15 initial contacts - five Alberta representatives from each of the three contact groups. Appropriate issues were modified or refined and developed into the structured interview questions sheets to be used in the balance of the research (Appendix B).

The second phase of the process was the consultations with the identified contacts. Question sheets were sent by facsimile transmission to those contacts with such a facility. These people, along with the representatives who did not have this facility, were then telephoned by the consultants and their comments on each question discussed.

The completion of these phases led to the preparation of a summary of findings for each issue of significance and, in the third phase, these were discussed with the 15 initial contacts to verify or clarify the findings.

A further aspect of the research program was four discussion groups with USA travel agents. Two groups each were led in Los Angeles (a current market for Alberta) and Atlanta (a potential market). The groups provided the opportunity to gain additional insight into the issues discussed with travel agents in the telephone interviews. The two Los Angeles focus groups included a total of 23 travel agents from the metropolitan Los Angeles area. Both groups were hosted on the same evening in a relatively formal, "round-table" meeting room. The participants were recruited with assistance from the Alberta Government's Tourism office in Los Angeles, from where lists of qualified travel agents - that is, those who had visited Alberta or who regularly sought information about Alberta - were obtained. Verification of the qualifications of these agents was made prior to recruiting them for the focus group.

The same recruitment process was used for the Atlanta group sessions, with the initial contact list developed with assistance from the Canadian Government Consulate - General's office in Atlanta. To accommodate the business schedules of participants and to establish a more amiable environment for discussion, the Atlanta group sessions were hosted as a breakfast meeting and a luncheon.

The general content of the discussions in Los Angeles and Atlanta was the same. The four principal research issues of airline preferences, air traffic systems, demand and customs were discussed with particular emphasis given to how the travel agents perceived these issues to affect travel to Alberta. Further, because the Los Angeles groups occurred before those in Atlanta, it was possible for the Atlanta discussions to develop any additional issues which arose in Los Angeles. A copy of the moderator's guide and a list of the focus group participants is included as Appendix C of this report.

1.3 Organization of the Report

The report is organized into five main sections. The opinions provided by the travel agent, tour wholesaler, and freight forwarder groups are presented as sub-sections within each section. Section 2.0 assesses demand for transborder air service and is followed by an assessment of perceived strengths and weaknesses for Canadian and American carriers in Section 3.0. Section 4.0 addresses issues of routes and regulations and Section 5.0 reviews issues related to customs clearance. An assessment of trends and opportunities for transborder air service to Alberta is presented in Section 6.0. Lastly, Section 7.0 presents a summary of findings and conclusions drawn from this research.

2.0 DEMAND FOR TRANSBORDER AIR SERVICE

The issue of demand was addressed with each of the three respondent groups. Current demand was reviewed along with an assessment of latent or potential demand which could be exploited under the right circumstances, but is not materializing. Future demand using major carriers and charter flights was also covered in the interviews, along with marketing opportunities which might contribute to increasing future levels of demand for travel to Alberta.

2.1 Travel Agents

The primary aspect of demand for leisure travel to Alberta was considered to be product awareness. Travel agents throughout the USA indicated that for both their colleagues and their clients, more information about Alberta and what it has to offer is of primary importance to stimulating demand for any destinations. Without information that is either comparable to other destinations or distinct from them, and which provides agents and their clients with the knowledge they require, Alberta will be at a disadvantage, irrespective of how the province is served by air. It should be noted that Banff, Lake Louise and Calgary were generally well-recognized, whereas Edmonton, Jasper and other points in Alberta were somewhat less well-known.

Product awareness received particular emphasis in each of the discussion groups in Los Angeles and Atlanta. All group participants agreed that Alberta's product was "a seller" and had significant appeal. In Georgia, for example, the comment was made that Georgians shared similar values as Albertans for natural resources and outdoor recreation.

However, agents also agreed that Alberta's market profile was relatively low among both themselves and their clients, placing the province at a competitive disadvantage. A need was identified for Alberta's tourism partners to more actively promote the province as a destination for USA travellers. Such promotions would include the airlines (American and

Canadian) since it was believed that little was being done by the USA carriers, in particular, to promote their routes to Alberta.

The current inventory of air routes to Alberta was identified as a particular limitation to travel by agents from Texas, Colorado, Florida, Georgia, and New York. Agents in other states considered that this was less of a difficulty: Californian agents indicated that available routes were adequate in serving current levels of demand; by contrast, Illinois agents identified stronger demand for Canadian destinations other than Alberta, including Vancouver, Ontario and Quebec, and saw little need for change in the number of routes to Alberta, although direct/non-stop service was preferred.

Although differences between states were identified with respect to whether existing service levels were adequate for current demand, there was much clearer agreement about the latent demand issue. Agents felt that the total demand for Alberta was higher than they were actually booking. This was particularly true for California and Texas, but was also identified to some extent in each of the other subject states. A number of reasons to account for the difference between total and actual demand were provided which were in addition to the limits on the accessibility of Alberta given current transborder routes. Travellers often have to take non-direct, sometimes circuitous routes; they face higher fares in travelling to Alberta relative to other destinations, particularly those in the USA; and they encounter difficulties in taking trips involving triangular routes, ("open-jaw") fares, whereby travellers fly into one city and return from another.

An aspect of the latent and potential demand for travel to Alberta which was stressed in the Atlanta group sessions was business travel opportunities. This market segment, by virtue of its importance to airline operations is a key base for building demand to support higher service levels. Individual business travel was expected to occur more frequently as the impact of the Free Trade Agreement becomes established; however, the total demand stimulated was not expected to be very large (perhaps 1 or 2%) relative to all of the business travel agents book for U.S. originating business travel.

Group business travel, by contrast, for conventions, meetings or incentive programs was suggested as a significant component of future demand. Overall, to increase demand for travel to Alberta from the business and pleasure markets, agents considered that regular direct or direct service was a priority. The latter point is noteworthy in that Delta operates a daily direct service between Atlanta and Calgary. However, agents did not appear to be very aware of its existence, pointing to a need for greater promotion by Delta (and Alberta's tourism industry) and further supports the opinion that USA carriers do not place a significant priority on marketing their Alberta routes.

Although the current air route system which ties Alberta to the U.S.A. has constrained travel to the province by Americans, specific opportunities for the province were identified by U.S.A. travel agents as being viable given the nature of demand from their clients. Specifically, the opportunities which were identified may be classified as off-peak (non-summer) travel. A strong demand for ski packages was identified, notably in New York, California, Georgia, and Texas, which is currently under-served, or served with difficulty. Other off-peak opportunities included "Fall Foliage" trips, and the combination of leisure packages to extend travel required for business meetings and conventions. In addition, greater awareness, better air service, and more competitive or cost-effective fares for travel to Alberta would, it was felt, increase summer season tourism. This opinion was particularly prevalent among agents in New York, Illinois, California, Texas and the southeastern states.

The primary concern among travel agents was the need for greater product promotion to them, and product awareness among their clients. Marketing strategies of this type will stimulate interest and demand for alternative destinations (e.g. Paul Hogan's advertising of Australia and its impact on travel to that country). Successful marketing initiatives which employ personal contact, special promotions sponsored by destination partners (i.e. airlines, convention bureaus, hotel properties, etc.) and consistency in follow-up are all considered significant in selling destinations.

The final demand issue which was addressed was the charter flight market. None of the agents interviewed saw sufficient demand in the USA to support charter flights to Alberta. However, Vancouver was suggested as a possible destination for USA charters in which case Alberta might benefit from spin-off tourism by combining Vancouver and Banff as part of the overall package trip.

From the perspective of out-bound travel from Alberta into the USA, Alberta travel agents considered that volumes would remain consistent and that more routes would not by themselves increase demand; rather they would increase accessibility and convenience of points in the USA. Presently, Albertans travelling into the USA have little choice but to make use of routes that are available to reach their chosen destination. Better routes that provide direct or non-stop service are preferred but Alberta agents recognize that such service requires justification of load factors before carriers will provide this service. The strongest opportunity in this regard was seen as being more flights to primary USA destinations such as California, and possibly Florida. Demand for air travel to other USA destinations was considered to be the result of business travel rather than pleasure travel.

Alberta's travel agents and tour operators considered that the market for charter air service was strongest from Alberta to the USA and best served by charter flights rather than scheduled service. Charter services were viewed as being more flexible and less susceptible to the risk of delays, a particular concern when large groups of travellers are involved.

2.2 Tour Wholesalers and Operators

The opinions provided by tour wholesalers and operators regarding the demand for air travel to Alberta tend to reflect those of travel agents. Most of the wholesalers and operators interviewed agreed that currently available air routes limit travel to Alberta and that there is more demand in their market than they actually book. However, current demand was not seen by wholesalers to justify additional flights; but if the latent demand which wholesalers believed existed became real, additional service would be required.

In California, where half of the 20 USA tour wholesaler interviews were conducted, there was a clear indication that current demand was not being adequately served by existing routes and schedules. The seasonal or activity-specific nature of California demand may explain the difference in opinion between California tour wholesalers and travel agents. Demand for travel to Alberta was particularly strong in July and August, as well as on weekends during ski season (i.e. December to March). Off-peak travel during April, May, September and October was also considered viable given the nature of the California market. Overall, California wholesalers agreed that more flights to Alberta could be justified in their market.

In order to encourage tour wholesalers to sell new routes to Alberta, the following were found to stimulate the greatest response:

- introductory price offers
- product promotion and advertising support
- incentive commissions
- opportunities for varying product packages
- familiarization trips and reverse marketplace events at new destinations and at destinations that provide a product that is worth seeing.

Alberta's tour wholesalers and operators expressed concern that market demand for in-bound tours from the USA was limited by current availability of routes. Major markets such as Chicago, Florida, and New York were seen to be particularly strong for Alberta, especially for ski packages, golf, and outdoor adventure vacations. California is seen to be reasonably well-served, although direct and non-stop flights are preferred. Current non-stop Los Angeles and San Francisco service to Calgary and connecting service over Salt Lake City (Delta) or Vancouver (Canadian and Air Canada) is viewed as satisfactory. The addition of flights on these routes would be expected if the realization of latent demand, as a result of an increase in Alberta's market profile, added pressure on existing services. More significantly, increased demand for Alberta would invariably mean that additional direct and non-stop flights would be required.

The current and future out-bound (Alberta to USA) market was considered to be strong. Charter flights to sun-spot destinations were found to be particularly popular, with this trend expected to continue. The in-bound charter flight market, however, was not viewed to be particularly large, unless product-specific charters, such as ski packages, were more available and accessible from selected geographic markets (e.g. Florida, New York). As noted above, charter flights were considered more appropriate than scheduled flights to serve this market, and it was apparent from the discussions that tour wholesalers felt that their ability to meet the needs of the clients may be hindered by the availability of scheduled air services alone.

2.3 Freight Forwarders

Freight forwarders in each of the states where interviews were conducted had experience with shipping air cargo to Calgary or Edmonton. For the most part, shipments were of a size that could be accommodated on narrow-body aircraft (e.g. Boeing 727) and, therefore, routes serviced by these aircraft were considered to be satisfactory. However, larger shipments (over 300 lbs per piece) require wide-body aircraft (e.g. DC-10, Boeing 767, etc.) and lack of direct service with these aircraft was an issue raised by almost all of the respondents. Large shipments bound for Alberta requiring wide-bodied aircraft were routed to Toronto, and flown to Alberta from there, or flown to Seattle and trucked from there to Alberta.

In general, volumes of freight into Alberta and handled by USA forwarders have remained relatively stable during the past 5 years, although it was noted in New York that the Free Trade Agreement appeared to be increasing volumes. However, it was apparent from the comments of several forwarders based in Atlanta, New York and Miami, that freight bound for western Canada is just as easily transported by truck to Toronto and flown west from there, as attempting to fly the freight direct from its point of origin. Although cost factors, and in some cases customs procedures, influenced this type of routing, the availability of wide-body service out of Toronto was also a consideration when shipments of 300 lbs or more were being moved. The fact that Alberta-bound freight is moving from these states

suggests that demand for air freight services to Alberta does exist but is only being served indirectly, primarily via Toronto.

Alberta's freight forwarders also considered that demand for air freight services had been relatively stable during the past 5 years. Key markets were Illinois, Texas and California, as well as some oil industry related shipments to Florida. New York and Atlanta were identified as emerging markets, associated with electronic, high technology, and medical technology products.

Table 2

Summary of Primary and Secondary Market Opportunities for In-bound Air Services to Alberta *

	Primary	Secondary
Travel Agents	California Texas Georgia	Florida Illinois New York
Tour Wholesalers	California New York Illinois Florida	All others
Freight Forwarders	California Texas Illinois	Florida New York

* Those states which were included for investigation for this study but which are not shown in the table can be considered to be less than secondary market opportunities.

3.0 CARRIER STRENGTHS AND WEAKNESSES

Respondents interviewed in the research were asked about the airlines they use to serve Alberta. Several specific factors were addressed in order that the reasons behind carrier selection could be more clearly understood, including carrier preferences and factors influencing carrier selection.

3.1 Travel Agents

Generally it was found that the clients of USA travel agents usually have pre-selected an airline prior to booking their travel (although in Washington state this was not the case and there appears to be no particular reason for this). This was the case for both business and pleasure travellers, with the frequent flyer program being the single most important factor. Schedules and convenience, along with airline reputation, were found to be factors of secondary importance.

Travel agents were also asked about the factors which were most important to them when they were given "free reign" to make a client's travel arrangements. In such situations, agents first considered fares, followed by convenience for the traveller and schedules.

Notwithstanding these factors, however, the actual selection of carriers is significantly influenced by service at the agents's own city. As a result, Delta, United and American are the "Big 3" carriers of preference for domestic flights in the USA, particularly in those cities which are hubs for these carriers. In addition, USAir was important among agents in New York.

United and Delta were also identified as the most preferred airlines for transborder flights. A large part of this was a result of travellers awareness of these carriers, their dominance in selected cities, and travellers' use of frequent flyer programs. However, agents in those markets served by Canadian carriers did report regular use of either Air Canada or

Canadian Airlines. These agents considered that the product and service offered by these carriers were often of a higher quality than American carriers. Indeed, agents in the Dallas area expressed disappointment over the loss of Air Canada service to Toronto, and participants in the Los Angeles discussion group were similarly disappointed over the loss of Wardair service.

The significance of United, Delta and American as domestic and transborder carriers has been influenced by travel agents' use of the reservation systems of these airlines. These networks provide access to much greater information (fares, schedules, etc.) for USA carriers than is available for Canadian carriers. A number of the agents interviewed individually and in the discussion groups noted that access to information about Canadian carriers was difficult and time consuming because of their lack of awareness of reservation systems which give access to this information. As a result, their preference for ticketing was to those USA carriers for which information was relatively easy to obtain.

The opinions among Alberta travel agents with respect to the carrier preferences of their clients and themselves are much the same as those of their USA counterparts. The primary limiting factor, however, is that Alberta is restricted by availability of routes directly to the USA and carrier selection tends to be determined by this factor. Further, the schedules offered by the airlines also have a significant role in carrier selection. As a result, Delta and Air Canada are the carriers of choice for Alberta agents due to their relatively strong schedules.

By contrast, the relatively limited number of transborder routes available for Canadian Airlines places this carrier behind Air Canada, a fact which suggests that carrier preferences are strongly related to presence or market participation. The awareness among Alberta's agents and travellers of Delta has been significantly enhanced by that carrier's promotions in Alberta, placing it at the top of preferred and selected U.S. carriers. Interestingly, American, United and America West were not foremost in the minds of the Alberta agents interviewed, and Northwest was used if the schedule and route factors were suitable, reflecting the awareness criterion.

From the foregoing discussion there would appear to be a significant opportunity for Canadian carriers in the transborder market. Albertans travelling south have a preference for selecting Canadian over the USA carriers, when schedules, routes and fares allow, and when direct or non-stop service is available. USA carriers are selected on a secondary basis given their schedules, and the accessibility they may offer through their hubs to a broader selection of destinations. Moreover, the quality of service provided by Canada's carriers is seen by the USA travel industry as a primary selling advantage, which could attract Americans travelling to Alberta. The addition of transborder routes could prove to be a benefit to Canada's carriers if they work to develop their own competitive advantages within the USA

3.2 Tour Wholesalers and Operators

The fares offered by carriers are the primary consideration for tour wholesalers and operators. Schedules, convenient connections and, in New York City, airline reputation are all very important elements in the carrier selection process.

Among the California wholesalers interviewed, several additional criteria were also mentioned. These included the ability to work with airline sales representatives, a strength noted with respect to past efforts by Air Canada; in-flight service, including free drinks, another favourable factor for Canadian carriers; flexible commission structures, promotional assistance, and the availability of suitable aircraft to service the volume.

Given these factors, USA tour wholesalers presented differing opinions on carrier selection. For domestic flights, California wholesalers tended to use USAir, Midway, Southwest Air, and America West. Among the larger domestics, only Delta and TWA were featured. By contrast, wholesalers elsewhere in the USA went with the "Big 3": Delta, United, and American; Northwest was also mentioned by the same number of respondents as American.

The preference for smaller regional carriers suggests that wholesalers are able to obtain more cost-effective price structures than they can from the larger carriers. Further, these smaller carriers increase the number of carriers that may be available, improving the chances for wholesalers to create competitively priced products. As with the opinions of travel agents, the more choice in carriers there is, the better the opportunities for competition.

Delta was most important to wholesalers with tours moving to Canada; Air Canada was the second most popular carrier. Air Canada was particularly popular in California where wholesalers rated the quality of service to be excellent. In addition, the opportunity to select a Canadian carrier provides travellers with an extra feature to their tour - the bilingual in-flight announcements and literature. This feature made travellers feel that they were bound for an exotic destination.

The limited choice in airline selection and schedules forces Alberta wholesalers to take best advantage of fares and schedules that are available for outbound tours. Of those carriers that do serve the province, Delta (because of its connections and market awareness) and Air Canada were identified as being the most popular for inbound and outbound tours; American, as the only carrier to Texas, was also used for tours involving this market.

A difficulty which was noted and which directly relates to limited service between Alberta and specific USA markets, concerns quality of service. Where a choice of carriers is available, competition between them tends to be more intense and quality improves. By contrast, where one carrier serves one market, for example America West serving Las Vegas from Calgary, service was not considered to be very good, and no significant efforts were made to make improvements.

3.3 Freight Forwarders

Carrier preference among USA forwarders was largely determined by the availability of suitable aircraft to carry a particular load, and carrier schedules. As a result, for smaller (under 300 lbs.) loads, carriers with direct service to Alberta were viable, including Delta, America West, Northwest, American and United. Air Canada was also popular in the California market by virtue of existing service.

There were, however, some strong feelings expressed about a number of carriers. Delta's western service for Atlanta forwarders was considered to be weak. Freight bound for Alberta or Vancouver, for example, risked being bumped or assigned lower handling priorities as a result of passing through Salt Lake City, resulting in delays. Northwest service from Minneapolis to Edmonton was given a low rating, in part, because of scheduling; a piece delivered at the Minneapolis terminal on a Friday evening, for example, was not guaranteed to make the first flight on Monday morning because of handling arrangements at Minneapolis. Situations of this type caused forwarders to truck their freight direct to Toronto, or to Chicago and fly to Toronto, before proceeding to western Canada. Another alternative was to truck freight to Winnipeg.

By contrast, Delta received good reviews from some forwarders, including those in Minnesota. Their service was considered to be high quality and, from Minneapolis at least, they were able to meet their delivery guarantees, something which Northwest or TWA in St. Louis were not renowned for. Air Canada was also given a favourable review in California, where direct service is available, and by forwarders who truck their freight to points served by Air Canada (e.g. Chicago). Obtaining competitive rates was a primary consideration for these forwarders. Delta's access to Alberta also provided California forwarders with an option for moving freight. In Nevada, the direct service to Calgary by America West was the primary determinant in the popularity of this carrier for Alberta shipments.

Among Alberta forwarders, the primary carrier constraint was the lack of wide-body aircraft and lack of direct routes. As a result, forwarders have little choice but to work the best they can with the carriers and routes that are available. Opinions varied as to the abilities of Canadian carriers to meet forwarders' needs; for example, Air Canada's rates were considered by some to be too high, and schedules awkward. Nonetheless, the service provided by Air Canada was considered to be very good.

Alberta's forwarders tended to agree that the lack of southbound widebody service and the subsequent need to send large freight through Toronto was a very distinct cause for concern. The growth in air cargo and the number of flights handled at Pearson International is resulting in congestion, delays and losses. Similarly, Vancouver is becoming increasingly congested. From the perspective of freight handling, therefore, forwarders are becoming increasingly frustrated with having to deal with these airports.

4.0 TRANSBORDER ROUTES AND REGULATIONS

Respondents were asked for their opinions about routes available to Alberta, strengths and weaknesses of the hub and spoke networks established in the USA, and the need for changes to the current regulatory environment.

4.1 Travel Agents

From the USA perspective, there was general agreement that the hub and spoke networks were suitable in meeting the needs of travellers. However, less commitment to these networks was expressed in California and Washington where opinions were split. Those agents from these two states stated a strong preference for direct or non-stop service for domestic and transborder travellers, preferring to avoid the inconvenience of stopping at a hub.

The principal strengths identified for hub and spoke networks included: access to a greater number of flights; opportunities for connections to many other points, including smaller centres which might not otherwise receive air service; and the cost-effectiveness afforded to carriers by consolidating services at key points. Weaknesses most often cited included: lack of non-stop and direct flights; risk of missing connections; and the dominance of a single carrier at one centre.

Several of the agents interviewed expressed strong concerns about these latter two weaknesses. In situations where travellers had to make connections it was felt that their ability to do so was solely reliant on the efficient functioning of the system, since a delay caused in one part of the country affected flights elsewhere. This was a major failing of the system. Further, the dominance of single carriers at key cities gave those carriers significant control over how people travelled. These cities lack choice and competition, giving little option but to book with the main carrier and put their travellers through that carrier's system, even when it may not be the most suitable means of serving a client's needs.

Lack of competition is also seen to influence prices. An example from Texas indicated that travellers leaving Austin on American Airlines to Los Angeles, and stopping at Dallas-Fort Worth (an AA hub), paid less than travellers boarding the same flight at DFW. Discrepancies of this type were quite bothersome to agents in hub centres.

Travel agents interviewed in Alberta were generally favourably disposed to the hub and spoke network. Their reasons were the same as those reported by the USA agents but are more understandable since Alberta becomes connected to a broader variety of USA destinations than non-stop or direct service might provide. However, a number of weaknesses were indicated by Alberta agents, including: the cost in travel time caused by stops and circuitous routes; the possible need for terminal changes in order to make connections; and the fact that connections were necessary due to a lack of non-stop or direct service. These disadvantages reflect the peripheral geographic nature of Alberta to these networks.

All travel agents, USA and Albertan, were asked directly to indicate their preferred USA hubs and those they avoided. Table 3 summarizes the responses to these questions in cumulative form only, irrespective of the geographic location of respondents. Thus, some airports appear in both columns.

Table 3:
Preferred and Avoided USA Hub Airports

	Preferred	Avoided
USA Travel Agents:	St. Louis (STL) Dallas-Fort Worth (DFW) Cincinatti (CVG) Salt Lake City (SLC) Memphis (MEM) Charlotte, N.C. (CLT) Chicago (O'Hare) (ODR) Atlanta (ATL) Raleigh, N.C. (RDU)	Minneapolis (MSP) Atlanta (ATL) Dallas-Fort Worth (DFW) New York (JFK) Chicago (O'Hare) (ODR) Denver (DEN) Detroit (DTW)
Alberta Agents:	Salt Lake City (SLC)	Chicago (O'Hare) (ODR)

From Table 3 it is clear that agents have a broad range of preferences which include long established hubs (e.g. DFW, ATL) and more regional centres (e.g. CLT, RDU). However,

when those hubs which are avoided are taken out of the preferred list, it appears that agents most prefer the relatively smaller, less congested airports. Further, the airports which are avoided are all extremely large, busy or cold-weather (delay potential) hubs.

This brief analysis shows that major airports in the USA are losing favour as connecting points with travel agents because of their decreasing ability to meet the needs of the travelling public. Regional centres are gaining as a result and, although travel agents in the USA expect hub and spoke routes to continue, they do see a shift to a more regional orientation.

This potential for change offers, in the opinion of USA agents, an opportunity for Canadian carriers to establish their own hub at a suitable USA airport, assuming that regulations regarding cabotage and economics permit. Suggestions as to where such a hub might be located varied depending on where the respondent was based, but in general a mid-west airport such as Kansas City or St. Louis was seen to be most practical. Locations of this type were seen to be useful distribution points for east-west oriented traffic, although they may be less effective in linking Alberta with California, or Ontario with Florida.

The issue of cabotage was specifically addressed with the travel agents. With very few exceptions, agents saw no problem with foreign carriers transporting passengers on domestic routes. The only requirement would be that USA carriers have the same opportunities in Canada as Canadian carriers in the USA If cabotage resulted in more competition and encouraged travel, then agents were likely to welcome this addition under a new bilateral agreement.

Those who favoured cabotage tended to be more philosophically inclined toward market determination, whereas those with reservations tended to state a greater concern with the potential risk to their own domestic airline industry. Notwithstanding this difference in opinions, however, when asked about the need to maintain the present regulatory environment, or change it in some fashion, respondents favoured a change to at least give equal access or direct reciprocity to USA and Canadian carriers for transborder service.

Those agents who steadfastly supported the competition theory were also those who favoured a complete "open-skies" approach to transborder service. However, on balance, of all the interviews conducted in the USA, the general preference was for a loosening of the present regulatory environment which would at least give Canadian and American carriers equal access to transborder routes.

It was generally believed that equal access would increase the carrier choices available to travellers. While carrier choice may ultimately differ by geographic market, the essence of the comments provided by travel agents and tour wholesalers was that choice is a priority irrespective of whether a carrier is domestic or not.

With regard to specific aspects of air service which might continue to be regulated by the bilateral air agreement, respondents were asked about fares, routes and frequency of flights. Again, philosophical differences were evident with a small number of respondents preferring complete market determination, whereas others saw a need for some control.

Of those preferring some degree of regulation, the following points were made. Those travel agents who preferred that fares be regulated saw a need for standardized or consistent fare structures. They found that current fare structures varied considerably between carriers, complicating the process of searching out the most suitable fare for a given trip. This was a particular difficulty with Canadian carriers which tended to be heightened by their more restrictive approach to seat sales and advanced reservations. The 21 and 14 day advanced ticket purchase limits, for example, were considered to be an out-dated form of ticketing and inappropriate to planning time-frames used by domestic travellers. Those travel agents who believed that routes or frequency of flights should be regulated expressed concern about the need to avoid carrier dominance at any given airport and to provide a balance of service between given points, thus avoiding route over-crowding.

The potential for Canadian airports to act as international gateways between the USA and Europe and the Pacific Rim was also addressed. The viability of international flights landing in Canada was not an issue which travel agents had a strong opinion about since

most stops of this nature are currently for technical reasons (e.g. refuelling, crew change, etc.). For the few agents who expressed an opinion on this issue, Calgary and Edmonton were considered secondary choices behind Vancouver as a gateway to the Pacific Rim from the eastern states. Opinions from elsewhere were somewhat less clear.

Interestingly, while Alberta's travel agents support the notion for fare regulation, they were not receptive to route or flight frequency regulations. It was felt that government should not be involved in the allocation of the routes carriers choose to fly, believing the direct government involvement led to inefficiencies. As for frequency of flights, it was felt that market conditions should determine the need for flights between points.

4.2 Tour Wholesalers and Operators

The opinions of tour wholesalers and operators regarding networks and regulations were found to be very similar to those provided by travel agents. The hub and spoke networks were satisfactory in moving tour groups and in some cases helped improve travel efficiency by enabling smaller groups from many origins to be consolidated at a key point prior to travelling to their final destination. Overall, wholesalers and operators, while preferring non-stop or direct service, make the best use they can of the current air traffic systems.

The primary strength of the hub and spoke networks is the service made available for smaller population centres. This naturally broadens the market base for tour wholesalers both in terms of customers originating from these centres, and in travel to them. In addition, hubs offer tour operators more flexibility in departure times, better abilities in coordinating flights and connections, and the potential for lower air fares. From the Alberta perspective, the hub and spoke system was considered to provide airlines with economies of scale which lowers fares and increases passenger volumes.

As with the travel agents, concerns were expressed about the limited availability of direct or non-stop service to Alberta, carrier dominance and their influence on price, and delays and missed connections. A further disadvantage which was emphasized in California

concerned particular products which are viable in their market. Seniors comprise a growing travelling market who look to buy tours as a means of cost-effective travel. For them to travel to hubs, deplane, and change terminals to make a connection is both an inconvenience and a stress which adds a barrier to destination selection.

Also, in common with travel agents, wholesalers and operators expected that hub and spoke networks would continue, with a possible shift to smaller airports away from the major O/D airports. Kansas City and Phoenix were both suggested as possible future hubs for Canadian carriers. Whether these cities or others successfully could be developed as hubs by Canadian carriers is an unresolved issue among tour wholesalers. Some respondents saw no opportunity for a Canadian hub in the USA, unless the carriers were to become much more aggressive with their product; others felt that it might be possible if located in a warmer location than cities like Denver, Chicago, or Minneapolis, where access is not constrained by bad weather.

Market forces should, in the opinions of tour wholesalers and operators, be the principal factor in determining fares, routes and frequency of flight. However, a completely deregulated North American air traffic system was not considered to be desirable. This opinion was more predominant among the California wholesalers. While they felt that extension of deregulation to include transborder routes would create more flexibility in route selection, flight options, and possibly aircraft type assigned to high demand routes, there remained a concern the end result would be a loss of choice in carriers as the larger ones purchase those that are smaller or in financial difficulties. From this, therefore, it appears that tour wholesalers prefer a less regulated transborder air system than is currently the case, but not a system which is without some form of regulation.

Alberta wholesalers and operators also felt that a loosening of restrictions on transborder service was required. However, a complete open skies policy was not considered to be in the best interests of the airline industry since the number of North American carriers would be reduced to the point that perhaps fewer than four or five carriers remained.

Under a less restrictive bilateral agreement, Alberta was seen to be in a position to benefit through an increase in the number of in-bound routes. One suggestion which was made to illustrate this opportunity reflected a concern that under the current bilateral agreement the award of a route to a carrier from one country provided a carrier from the second country the right to the same route. A preferred alternative would be to allow the carrier from the second country to select a different route to that awarded the first country. This approach was felt to give carriers better opportunity to add service in markets where demand was proven.

4.3 Freight Forwarders

Changes to the regulatory environment are considered necessary to improve the movement of air freight between Canada and the USA The current regulatory environment created by the bilateral air agreement is considered to be too restrictive by forwarders in Canada and the USA In common with the travel industry representatives, forwarders see a need to increase the number of carriers serving major USA centres such as Los Angeles, Chicago, and Dallas. The current trend towards larger carriers taking over the smaller carriers under the deregulated environment in the USA, reduces the competitive options available to forwarders.

The need for additional access into USA markets was particularly emphasized by forwarders who operated their own aircraft. Representatives of Emery and Burlington Air Express, for example, indicated that air freight volumes could be increased if they were not confined to single routes such as Calgary-Seattle, and could make additional stops. It was suggested that Seattle, as the current gateway for USA-originating freight into Canada as well as off-shore, could be further supported by more flights to Calgary or Edmonton.

5.0 CUSTOMS PROCEDURES

5.1 Travel Industry

Passengers arriving in Canada from the USA or other international origins pass through customs at their point of arrival (post-clearance). By contrast, travellers flying from Canada to the USA pre-clear customs at the last Canadian airport through which they transit prior to entering the USA, and do not pass through customs at their destination (pre-clearance). These issues of customs pre- and post-clearance were included in the interviews with travel agents and tour wholesalers. Also included was the red/green door concept of customs clearance, an approach employed at many European and other airports.

There was unanimous agreement among all who were interviewed that pre-clearance of customs is a major benefit for travellers. The process is not considered to affect travel time since travellers need only arrive at the airport a few minutes earlier than they would for a domestic flight. Furthermore, once pre-cleared, travellers do not have any delays at their destination since they are free to collect their baggage and leave the airport.

Alternatively, it was felt that while pre-clearance is very well liked and works efficiently for travellers entering the USA from Canada, it would be subject to considerable logistical constraints for travellers entering Canada from the USA. These constraints would be primarily a consequence of the hub and spoke route systems in the USA. In the case of a traveller bound for Calgary from Miami, for example, connections might be necessary in Atlanta and Minneapolis. If the traveller were to pre-clear Canadian customs at Miami, he or she would be considered to have left the USA; therefore, upon arrival in Atlanta they would require alternate terminal facilities (e.g. transit lounge) to separate them from domestic travellers. Effectively, this means passengers bound for Canada and who have cleared Canadian customs could not mix with USA domestic passengers, precluding the use of intermediary hub points.

Under a second scenario, the traveller could pre-clear Canadian customs at one of the U.S. hubs prior to making a connection to a non-stop flight to Canada. This would require the traveller to deplane and collect their baggage prior to boarding a connecting flight, in the same fashion as occurs presently for many Canadian origin flights. Both scenarios are quite inconvenient to transborder travellers, and may pose difficulties for airlines and airports. Moreover, the cost of maintaining Canadian customs officers at the many major hub airports would probably make this process impractical for Canada.

An alternative to improving the abilities of passengers to pass through customs quickly is the red/green door approach. Under this system travellers must make their own choice as to whether they are bringing articles into the country which should be declared to customs. If they consider that they do have such items they will pass through the red door; if they do not, they will select the green door, passing directly through customs, subject to random checks by customs officers. This approach was favourably reviewed by travel representatives in both the USA and Alberta, and lends support to the pilot project planned by Canada Customs for Toronto's Pearson International Airport.

Although acceptable to the travel industry, this approach may be difficult to implement for transborder air service. The removal of USA customs pre-clearance and its replacement by the red/green door approach in the USA would require that travellers to the USA would clear customs at some point in the USA On direct or non-stop flights this approach could be feasibly implemented at the final destination. However, its implementation within the hub and spoke networks would likely require passengers to deplane and clear customs at some point during their journey. Implementing the red/green approach for entry into the USA would, therefore, be subject to similar logistical difficulties as establishing pre-clearance of Canadian customs in the USA.

Based on the research findings, then, and considering the nature of the Canadian and American air traffic networks, it appears that the most practical solution to customs clearance would be the continuation of USA pre-clearance from Canada into the USA and the introduction of the red/green approach at Canadian points of entry. This combined

approach would speed up entry procedures into both Canada and the USA, thereby making access for travellers more convenient.

5.2 Freight Forwarders

For freight forwarders, customs procedures for air cargo on transborder routes are not considered a problem. In the past, extensive paper work has been required but this is rapidly being replaced by a much more streamlined system. Indeed, the recently proposed Customs 2000 Program of Canada Customs applies computer network technology to transfer documents. The speed of this system is such that goods arriving in Canada will have been cleared during the time they were in transit, thereby not requiring individual inspection and processing upon arrival. Those freight forwarders who were interviewed and who had made use of this new program, were favourably impressed with the new efficiencies.

6.0 TRENDS AND OPPORTUNITIES FOR TRANSBORDER AIR SERVICE TO ALBERTA

6.1 Trends and Opportunities

Trends and opportunities to improve transborder air service to Alberta emerged throughout the research process. These are discussed in this section as they apply to the travel industry and freight forwarders.

From the comments of the travel industry representatives interviewed, it is clear that Alberta possesses market potential in the USA To date this potential has been hindered by a lack of suitable marketing. Marketing strategies which provide travel agents and tour wholesalers with the detailed information they require to meet the needs of their clients are basic to raising awareness of Alberta within the USA travel industry. Such strategies also require a parallel approach to stimulating interest among the travelling public to show them the opportunities Alberta has to offer.

Implementation of marketing strategies is most effectively achieved through a coordinated and consistent approach shared by industry partners - the hotels, airlines, attractions, tour operators, etc. Currently, USA carriers serving Alberta were not seen to make much effort in marketing these routes. From the travel agents perspective, a major component of marketing efforts is an emphasis on available fares and fare options. Given the nature of demand in the USA, open-jaw fares which are cost-effective and relatively unrestricted would encourage more travel to Alberta. Making stop-over fares available would allow travellers to fly to a mid-point in their journey and spend a few days there before reaching their final destination, for the price of the origin-destination ticket. Simpler fare structures, a consistent approach to travel fares, improved opportunities to take advantage of seat sales, and competitive pricing were all considered important opportunities to improve access to Canada and use of Canadian carriers.

More access to Canadian carriers for American travellers was identified as an important opportunity. Canadian carriers were seen to offer better service than American carriers and it was strongly believed that Canadian carriers could effectively compete in selected USA markets for inbound traffic to Alberta. The markets where the strongest opportunity for in-bound travel was identified were California and Texas (general pleasure and business travel), New York and Illinois (pleasure tours and some business), Florida (specifically for winter season ski tours and alternative golf destinations), and Georgia (outdoor pleasure vacations and business). The key to meeting demand from these markets is considered to be additional direct and non-stop services, particularly to Los Angeles, Houston and Dallas, and improved fare structures which are competitive.

A further opportunity for Canadian carriers in the USA results from the continuing occurrence of airline bankruptcies and loss of carriers. As the choice of carriers is reduced under the deregulated USA environment, travel industry representatives feel more and more control by the few airlines which remain. Given their need for more carriers to provide the choices and flexibility demanded of them by their clients, they support strategies which meet this need. As a result, travel agents in particular, are supportive of the cabotage concept, that is a foreign carrier flying routes within another country, applied reciprocally within a North American air services environment. For the travel industry such an environment would provide Canadian and American carriers with equal access to routes in each other's countries but certain restrictions may apply as to the routes which may qualify.

Reciprocal cabotage for Canadian and American carriers was preferred without carrier alliances or code-sharing. Code-sharing was felt to be somewhat misleading to travellers who, while responding to an opportunity to reach their destination on their preferred carrier may not realize that a second carrier will take them to their destination. Further, while the economics of carrier alliances were also recognized by travel representatives, they remained in favour of maintaining choice and opportunity for competition in the market, and were somewhat concerned that transborder alliances would result in a market dominated by a few major carriers with regional feeders.

If a less regulated environment was created and cabotage allowed in some form, the opportunity for a Canadian carrier to establish their own hub in a USA city may become viable. The type of city which, in the opinions of travel agents and wholesalers would be suitable, would be a smaller regional centre located in the southern mid-west (e.g. Kansas City or St. Louis). Alternatively, two Canadian hubs might be established, one to serve the eastern states (e.g. Charlotte, NC) and one to serve the west (e.g. Phoenix, Az). Recognizing that the economics to the airlines will be the final determining factor, the concept was not considered to be outlandish or unusual.

Freight movement may also benefit from a Canadian hub in the USA if it resulted in improved transborder access. Currently, freight forwarders make use of the resources that are available but it is acknowledged that moving freight in and out of Alberta is sometimes difficult due to lift restrictions when large shipments (those requiring wide-body aircrafts) are being transported, circuitous routings, and cost. A clear need was identified for direct service to Southern California, Chicago, and Texas, as well as additional service to emerging markets in Georgia and New York, although all-cargo services were not found to be essential, since they were not warranted by current volumes and the nature of the shipments. Meeting this need through a less regulated air services environment is required and, if the concerns of forwarders can be addressed through the development of a Canadian hub in the USA, then Alberta's accessibility may be improved.

From the comments received from forwarders on both sides of the border, it appears that there is latent demand to justify additional air freight services. Many of the companies interviewed indicated that surface transportation offered a viable option for sending goods to Alberta not only because of the cost, but because of easier customs procedures. However, with the introduction of faster clearance processes for air freight, this current barrier may become less important. If this is the case, then airlines could capture some portion of the surface freight bound for Alberta, creating larger payloads and allowing rates which are more competitive with truck or rail operators.

6.2 Conclusions

The following conclusions are drawn from findings of the research conducted for this report.

1. *A less regulated air services environment than presently exists is considered necessary to provide a choice of carriers in the market. However, some regulations on routes should continue to ensure that no single carrier or small group of carriers becomes overly dominant. In this respect, limited cabotage serving those domestic routes which non-domestic carriers consider viable would be welcomed by the North American travel industry and freight forwarders in as much as it would provide greater choice of carriers and potentially better access to Alberta.*

2. *A need for more non-stop and direct air services between Alberta and its primary in-bound markets in California and Texas was identified by travel industry representatives in these states. This type of service would also improve access from Alberta to California. Further, the New York, Georgia, Illinois and Florida markets were also found to be an opportunity for in-bound travel to Alberta for which additional flights, if not direct or non-stop, may be justified.*

3. *A concern within the travel industry was the inconsistencies which exist between fare structures employed by USA and Canadian carriers. A clear need was enunciated for ensuring that these differences could be resolved through regulation. It was felt that this would not only allow travellers to better understand air fares, but that it may also contribute to improved interest and travel to Alberta.*

4. *Customs procedures which are convenient and which reduce actual (or perceived) delays are important for transborder travel. The consensus among travel industry representatives was that pre-clearance was an acceptable means of entering the USA and that a red/green door approach may improve entry to Canada.*

5. *Additional marketing and promotional activities by Alberta Tourism and its industry partners would be welcomed by the U.S. travel industry who view the Alberta product as having significant potential.*

6. *Promotion of Alberta would be greatly enhanced by direct assistance from Canadian and U.S. carriers, over and above their present efforts.*

7. *Niche and speciality product market opportunities exist in selected states which Alberta could effectively serve with improved air services. These opportunities relate to specific demographic markets, as well as "activity" markets such as skiers, outdoor recreationists, and those seeking alternative destinations.*

8. *Canadian carriers may have an opportunity to meet future demand from tour wholesalers, particularly those in the U.S. who identified a preference for using small carriers such as USAir or American West, rather than the "Big 3" American carriers.*

APPENDIX A:

LIST OF CONTACTS

All contacts listed are qualified as having experience
and knowledge of Alberta-USA and Canada-USA air services.

INITIAL 15 CONTACTS

Travel Agents Forwarders	Tour Wholesalers	Freight
Harold Smith Travel Edmonton	Bust Loose Holidays Calgary	Kuehne & Nagel Edmonton
Marlin Travel Edmonton	Fun Sun Tours Los Angeles	F. W. Myers New York, N.Y.
American Express Atlanta	Tortuga Express Anaheim, Ca.	LEP International Atlanta, Ga.
Goligers Travel Edmonton	Air Canada Vacations Montreal	Federal Express Vancouver
American Express Calgary	Sport Tours Edmonton	Kuehne & Nagel San Francisco

TRAVEL AGENTS CONTACTED

Alberta	Harold Smith Travel, Edmonton	Kim Biltner
	Trek Holiday, Edmonton	Alan Ronneseth
	Caravel Tours, Edmonton	Donna Bardak
	Marlin Travel, Edmonton	Mike Edmonds
	AMA Travel, Edmonton	Ermy Shaw
	Travel Fast, Edmonton	Brian Simick
	Wards, The Travel Company, Edmonton	Dennis Ward
	Lets Talk Travel, Calgary	Gary Hasty
	Internation Travel, Calgary	Roy Anderchuk
	Goligers Travel, Calgary	Marion Barbier
	Thunderbird Travel, Calgary	Alan Poon
	Northside Travel, Calgary	Rae Murray
	Around the World Travel, Red Deer	Ray Marsh
	Intra Vista, Red Deer	Sherry Hanesworth
California	Custom Travel, Woodside	Sue Rodriquez
	Siemer & Hand, San Francisco	Eric Stevens
	Daman Nelson Travel, San Francisco	Watt Daman
	Tour Company, San Rafael	Bill Flynn
	Travel Roads, Los Angeles	Gail, Manager
	Calig World Travel, Los Angeles	Marsha Calig
	Gulliver's Travel, Hollywood	Eric Hayat
	Wide World Travel, Los Angeles	Bev Pomerantz
Colorado	Master Travel, Denver	Group Manager
	Buckingham Travel, Denver	Judy Detar
	Rocky Mountain Travel King, Ft. Collins	Sylvia Macklores
	Aggie Travel, Ft. Collins	General Manager
	Choice Travel, Ft. Collins	
Florida	Blue Chip Travel, Tampa	Helena Miller
	Air & Sea Travel, Ft. Lauderdale	Thelma Burns
	Fantasy Adventure, St. Petersburg	Dick Wilson
	Mena Travel, Miami	Carlos Mena, Owner
	Travel Unlimited, Miami	Consultant
	Four Ambassador Travel, Miami	Elain
Georgia	American Express, Atlanta	Rigsby Barnes
	Uniglobe, Atlanta	Tammy Rowland
	Osborne Incentive, Atlanta	David Frew
	Harrison Marquis, Atlanta	Linda Lind
	Delta Airlines	Ponder Harrison
	Golden Jet Travel	Sal Depace
	Carol Proctor Meeting Planner	Carol Proctor
	Georgia Department of Industry, Trade & Tourism	Kevin Langston, Jill Goldberg

Illinois	Vega International Travel, Chicago	Francis Goranin
	Evalnston International Travel, Chicago	Bob Girard
	Travel in the Main, Chicago	
	Lindstrom Travel, Rockford	Walter Strom
	Kobelt Travel Service, Des Plaines	E. Saille
	Pleasure Break, Chicago	E. Saille
Minnesota	Daisy Travel, St. Paul	President
	CTN/World of Travel, Maplewood	Marie Robinson
	Accent Travel International	Art Pederson
	Campus Travel	
Nevada	Travel Advisors, Reno	Co-owner
	Escape Travel Service, Las Vegas	Len Yelinek
	Black Mountain Travel, Las Vegas	Jill Schad
	Deluxe Travel, Las Vegas	Alan Hyman
	Sunrise Travel Consulting, Las Vegas	Patricia Boea
	Prestige Travel, Las Vegas	Leo Falkensummer
New York	McVeigh Associates, Hampstead	Frank McVeigh
	Happy Journeys Travel, Liverpool	David Stever
	Aristocraft, Travel, New York	Thomas Milgate
	Journeycraft Inc., New York	Honey Vee
	Automobile Club of Rochester, Rochester	Jerry March
	Dynamic Sports, New York	Karen
Texas	Barnes Travel, Austin	Travel Consultant
	Sargent & Strong Travel, Dallas	Nancy Strong
	Travel Pros, Dallas	Harry Smith
	USA Travel Systems, Ft. Worth	Ron Simmons
	Supertravel, Houston	Carol Kemp
	Pace Travel, Austin	
	Lifeco Travel, Austin	
Washington	American Express, Seattle	Sandra Sears
	AAA Travel, Seattle	Donna P.
	Travel Exchange, Seattle	Karen Lafollette
Seattle	Warren Safley	Mutual Travel,
	Mercer Island Travel, Inc., Mercer Island	Annette Jones
	Global/ABC Travel, Sedro Valley	Jerri Thompson

TOUR WHOLESALER/OPERATORS CONTACTED

California	Tauck Tours, San Marino	Harry Embry
	Tortuga Express Tour Co., Anaheim	Tom Menasco
	UTL Holiday Tours, Glendora	Mike Saretsky
	Canatours, Los Angeles	Victor Manunta
	The California Native, Los Angeles	Lee Klein
	Great Western Travel & Tours, Pasedena	William Seifka
	Shine Tours, Monterrey Park	Helen
	Golden Gate Tours, Concord	Jack Dold
	J. Trek Ventures, Sacramento	John Tillison
	Sports Leisure, Sacramento	Mark Hoffman
	CP Hotels, El Segundo	Jack Rayfield
	Canadian Airlines Int'l, Los Angeles	Adrian Rope
	Delta Airlines, San Diego	Rick Beckett
Other U.S.A.	Biss Tours, New York, N.Y.	Marty Elson
	Presly Tours, Makanda, Illinois	V.P.
	Schwartz Tours, Seattle, Washington	V.P.
	Brennan Tours, Seattle, Washington	Bob Brennan
	Ski-Pak, Bellevue, Washington	Richard Gentry
	Geo Travel, Denver, Colorado	Jim Keane
	D-FW Tours, Dallas, Texas	John Przywara
	Anderson-Elderine Travel, Montana	Bernice Laird
	Holiday Travel Service, Eau Claire, Wis.	Director of Operations
	Allied Tour & Travel, Omaha, Nebraska	Manager, Comp. Tour
	Maupintour, Lawrence, Kansas	Peter Anderson
	Tauck Tours, Westpark, Connecticutt	Chuck Tauck
	Adventure Tours, Dallas	Colin Ridgeway
Alberta	Tour Canada West, Banff	Gordon Schultz
	Intra Vista Travel, Red Deer	Ivan Woit
	Banff Club Ski, Banff	Ladd Snowsell
	Fun Sun Tours, Edmonton	Henry Bruinsma
	Fun Finders Tours, Calgary	Bob Dowie
	Suncoast Vacations, Calgary	Ron Martin
	Wiebe Tours, Edmonton	Brian Wiebe
	Westcan Treks, Edmonton	Allan Ronneseth
	Sport Tours, Edmonton	Dennis LaLiberte
	Silver Wing Holidays, Calgary	Chris Richardson

FREIGHT FORWARDERS

California	Radix, Los Angeles
	Target Air Freight, Los Angeles
	Kuenhe & Nagel, San Francisco
Texas	Circle Airfreight, Dallas
	DHL Worldwide, Houston
	Target Airfreight, Houston
Nevada	Affco Airfreight Forwarders, Las Vegas
	ABT International, Las Vegas
	Lund Import-Export, Las Vegas
Washington	CF Truckload Services, Seattle
	Airborne Express, Seattle
	Danzas Corporation, Bellevue
Illinois	Radix, Chicago
	NNR Air Cargo, Chicago
	Burlington Air Express, Ft. Wayne, Ind.
New York	LEP International, Albany
	FW Myers, Champlain
	Schenkers, New York
Georgia	EP International, Atlanta
	Kuenhe & Nagel, Atlanta
	Air Express International, Atlanta
Florida	Seko Airfreight, Miami
	Airborne Express, Ft. Lauderdale
	MSAS Cargo International, Miami
Minnesota	Burlington Air Express, Minneapolis
	MO Air International, Minneapolis
	Right O'Way, Minneapolis
Colorado	Seko Air Freight, Denver
	Danzas Corporation, Colorado Springs
	Denver Wholesale Florists, Denver
Alberta	P & T International, Edmonton
	Kuenhe & Nagel, Edmonton
	Burlington Air Express, Edmonton
	Schenkers, Edmonton
	Rainbow, Edmonton
	Cottrell, Edmonton
	Livingston International, Edmonton
	Geopatrol, Edmonton
	All World Shipping, Edmonton
	Danzas Corporation, Calgary
	Emery, Calgary

APPENDIX B:

INTERVIEW FORMS

US TRAVEL AGENTS AND TOUR WHOLESALERS

Dear Respondent:

Manecon Partnership, Management and Economic Consultants, Edmonton, Alberta, Canada has sent you the attached survey as part of our study into U.S.-Canada transborder air travel. Our study is being conducted on behalf of the Government of Alberta. You have been selected as one of our respondents because of your knowledge of tourist and business travel between the U.S and Canada. Your name was identified through the Canadian Consulate Office which is responsible for your State. Your colleagues in nine other States have been similarly selected in order for our research and subsequent findings to be based on the opinions of the most reliable sources available.

The questionnaire which makes up this transmission is being used to address the primary objectives of our study. We would greatly appreciate you completing the questionnaire by January 10, 1991. Please return the completed questionnaire by **FACSIMILE** to us at **(403) 425-1845**. Should we not receive a response by the 10th, one of our consultants will contact you to discuss the questionniare with you.

Thank you for your kind assistance and cooperation.

Yours Sincerely,
MANECON PARTNERSHIP

David Hargreaves

U.S. TRAVEL AGENT SURVEY

Name of business: _____ Location: _____

Total number of years in travel industry: ___

Number of years with present company: ___

Your position: _____ Number of years in present professional position: ___

1a. Among all of your clients who travel within North America would you say that the largest proportion (say over 50%) of them have a preference for specific airlines?

yes __ no _

b. Of your clients who do state a preference, do they tend to be mostly business or pleasure travellers?

___ business ___ pleasure ___ about the same

2. Of those clients who do have airline preferences which 2 of the following factors do you find have the largest influence on such preferences among business (b) and pleasure (p) travellers?

(b)	(p)		(b)	(p)	
__	__	frequent flyer programs	__	__	airline schedules
__	__	convenience of connections	__	__	perceptions of fare value
__	__	quality of in-flight service	__	__	other (describe)_____
__	__	on-time performance			_____

3. In cases where your client has no airline preference and asks you to make their travel arrangements for them, how important are the following factors to you when you make the arrangements.

	Not important	somewhat important	very important
airline schedules	_____	_____	_____
airline reputation	_____	_____	_____
variety of airlines from which to choose	_____	_____	_____
convenience for making connections	_____	_____	_____
on-ground service such as baggage handling	_____	_____	_____
other (describe) _____	_____	_____	_____

4. Which airlines do you most often select for your clients who state no preference and are flying within the United States, between the U.S. and Canada, and within Canada?

Between U.S. points _____
Between U.S & Canada _____
Between Canadian points _____

5 U.S. airlines make use of 'hub and spoke' networks as a means of transporting passengers between various points. In your opinion, are these networks appropriate for meeting the needs of your clients?

___ yes ___ no

6. What do you consider to be the strengths or advantages of the 'hub and spoke' systems?

_____

_____

7. What do you consider to be the weaknesses or disadvantages of the 'hub and spoke' systems?

_____

_____

8a. Which, if any, hub airports in the U.S. do you favour or try to avoid for your clients?

Favoured _____
Avoided _____

b. Do you foresee any changes to occur in the next 5 years to the current 'hub and spoke' network approach used by the major U.S carriers?

__ yes what changes do you expect and why? _____

_____

_____

__ no

c. Do you think that a Canadian airline could viably establish its own hub in the U.S.?

__ yes where? _____
__ no why not? _____

d. In Canada, and excluding Toronto, which city would you consider might be most suitable as a hub airport?

_____

9a. Should foreign airlines be permitted to pick up and transport passengers between points in the U.S.?

___ Yes ___ No

b. Should airlines with flights originating in one country be permitted to pick-up passengers in a second country before reaching a destination in a third country?

___ Yes: Why? _____

_____

___ No: Why not? _____

_____

10. Which of the following should be subject to regulation by an agreement between the governments of the U.S. and Canada? Please include reasons for your answers.

	Yes	No	Reason
air fares	__	__	_____
routes	__	__	_____
frequency of flights	__	__	_____
aircraft type	__	__	_____

12. Approximately what proportion of all of your clients travel to Canada:

for business ___%
for pleasure travel ___%
% of total business travelling to Canada ___%

13. Approximately what proportion of your business to Canada is destined for Alberta - that is, Calgary or Edmonton?

for business ___%
for pleasure travel ___%
% of total business travelling to Canada ___%

14. The present Air-Bilateral Agreement between Canada and the U.S. place limits on the schedules, routes, and aircraft type, available to American and Canadian airlines. Given the nature of your business and the characteristics of the demand you have experienced for U.S. to Canada air travel, which of the following statements best describes your opinion of the present regulatory environment?

_ the present regulatory environment should continue
_ American and Canadian airlines should have equal access to transborder routes between Canada and the U.S.
_ access to routes in North America should be determined by market forces alone, creating an integrated air traffic environment

15. Do you believe that the present availability of routes to Alberta and Canada has limited the amount of air travel from the U.S. in the past?

_ Yes, to Alberta _ No, to Alberta
_ Yes, to Canada _ No, to Canada

16. Would you say that interest and potential demand among your clients in travelling to Alberta or Canada is increased or decreased by the routes and schedules currently available from the airlines which are available?

__ increased to Alberta _ decreased to Alberta
__ increased to Canada _ decreased to Canada

17. At which time of year do you experience the peak demand for travel to Alberta or Canada?

Alberta: month(s) _____
Canada: Month(s) _____

18a. Do you believe that more flights to Alberta or Canada during the off-peak months would increase your volume of business to these destinations?

__ Yes, to Alberta; Which months? _____
__ Yes, to Canada; Which months? _____
__ No, to Alberta; Why not? _____
__ No, to Canada; Why not? _____

b. Do you believe that more flights to Alberta or Canada would increase your volume of business to these destinations?

__ Yes, to Alberta; Which months? _____
__ Yes, to Canada; Which months? _____
__ No, to Alberta; Why not? _____
__ No, to Canada; Why not? _____

c. What types of marketing strategies would be most effective in selling new routes to you?

_____
_____
_____

19. From your experience, would you say that there is potential demand for charter flights from U.S. points of origin to Alberta or Canada?

__ Yes, to Alberta __ No, to Alberta
__ Yes, to Canada __ No, to Canada

20a. To what extent do you agree or disagree with the following statements

		Agree	Disagree
i)	my clients do not generate sufficient demand for the present number of flights available to Canada	__	__
ii)	the present number of flights to Canada adequately meets the demand from my clients	__	__
iii)	more flights to Canada are required to meet the demand of my clients	__	__

b. If you AGREE with (iii) above, which destination do you expect would be most desirable?

_____

_____

When entering the U.S. from Canada travellers pass through U.S..Customs at their Canadian airport of origin. This process is known as preclearance. However, when travellers enter Canada from the U.S. they do not pass through Canadian customs until their arrival in Canada.

21a. From your own experience with travel between the U.S.. And Canada would you say that the preclearance process is a benefit or hinderance to travellers?

__ benefit __ hinderance

Please describe the main reasons for your answer.

_____

_____

_____

b. If preclearance was eliminated and replaced by post-clearance, would this be a benefit or inderance to travellers?

__ benefit __ hinderance

In some other countries customs procedures require that travellers pass through red or green channels where red indicates the traveller has items to declare and green indicates that they have nothing to declare.

22. Should such a system be established for travellers from Canada entering the U.S. and U.S. travellers entering Canada

__ yes __ no

Please briefly describe the reasons for your answer

_____

_____

23. Have you found that your clients have experienced difficulties with customs officers when they have entered or left either Canada or the U.S.

__ difficulties when entering Canada
__ difficulties when entering the U.S.
__ difficulties when leaving Canada
__ difficulties when leaving the U.S.

24. If you would like to make any additional comments about air aervice between the United States and Canada, please note them below.

THANK YOU FOR YOUR TIME AND ASSISTANCE

TOUR OPERATOR SURVEY

Name of business: _____ Location: _____

Total number of years in travel industry: ___

Number of years with present company: ___

Your position: _____ Number of years in present professional position: ___

---

1. How important are the following factors <u>to you</u> when you are selecting an airline to carry a tour you are preparing?

	Not important	somewhat important	very important
fares	____	____	____
airline schedules	____	____	____
airline reputation	____	____	____
variety of airlines from which to choose	____	____	____
convenience for making connections	____	____	____
on-ground service such as baggage handling	____	____	____
other (describe) _____	____	____	____

2. Which airlines do you most often select for your tours which require flights within the United States, between the U.S. and Canada, and within Canada?

   Between U.S. points _____
   Between U.S & Canada _____
   Between Canadian points _____

3. U.S. airlines make use of 'hub and spoke' networks as a means of transporting passengers between various points. In your opinion, are these networks appropriate for meeting the needs of your clients?

   ___ yes ___ no

4. What do you consider to be the strengths or advantages of the 'hub and spoke' systems?

   _____
   _____

5. What do you consider to be the weaknesses or disadvantages of the 'hub and spoke' systems?

   _____
   _____

6a. Which, if any, hub airports in the U.S. do you favour or try to avoid for your clients?

   Favoured _____
   Avoided _____

b. Do you foresee any changes to occur in the next 5 years to the current 'hub and spoke' network

approach used by the major U.S carriers?

__ yes what changes do you expect and why? _____

__ no

c. Do you think that a Canadian airline could viably establish its own hub in the U.S.?

__ yes where? _____
__ no why not? _____

d. In Canada, and excluding Toronto, which city would you consider might be most suitable as a hub airport?

_____

7. Which of the following should be subject to regulation by an agreement between the governments of the U.S. and Canada? Please include reasons for your answers.

	Yes	No	Reason
air fares	__	__	_____
routes	__	__	_____
frequency of flights	__	__	_____
aircraft type	__	__	_____

8. Of all the tours you book, what proportion is destined to
Canada ___ %
Alberta ___ %

9. The present Air-Bilateral Agreement between Canada and the U.S. place limits on the schedules, routes, aircraft type available to American and Canadian airlines. Given the nature of your business and the characteristics of the demand you have experienced for U.S. to Canada air travel, which of the following statements best describes your opinion of the present regulatory environment?

_ the present regulatory environment should continue
_ American and Canadian airlines should have equal access to transborder routes between Canada and the U.S.
_ access to routes in North America should be determined by market forces alone, creating an integrated air traffic environment

10. Do you believe that the present availability of routes to Alberta and Canada has limited the amount of air travel from the U.S. in the past?

_ Yes, to Alberta _ No, to Alberta
_ Yes, to Canada _ No, to Canada

11. Would you say that interest and potential demand among your clients in travelling to Alberta or Canada is increased or decreased by the routes and schedules currently available from the airlines which are available?

__ increased to Alberta _ decreased to Alberta
__ increased to Canada _ decreased to Canada

12. At which time of year do you experience the peak demand for travel to Alberta or Canada?

Alberta: month(s) _____

Canada: Month(s) _____

13a. Do you believe that more flights to Alberta or Canada during the off-peak months would increase your volume of business to these destinations?

__ Yes, to Alberta; Which months? _____
__ Yes, to Canada; Which months? _____
__ No, to Alberta; Why not? _____
__ No, to Canada; Why not? _____

b. Do you believe that more flights to Alberta or Canada would increase your volume of business to these destinations?

__ Yes, to Alberta; Which months? _____
__ Yes, to Canada; Which months? _____
__ No, to Alberta; Why not? _____
__ No, to Canada; Why not? _____

c. What types of marketing strategies would be most effective in selling new routes to you?

_____
_____
_____

14. What proportion of your annual business volume emprises of charter flights between the U.S. and Canada?

____ %

15. What proportion of theses charters originate in

Canada __%
U.S. __%

16. Given the present nature of air traffic regulations on transborder air service, do you expect the proportion of charter flights to increase or decrease during the 1990's?

_ Yes; Why? _____
_____
_____

_ No; Why? _____
_____
_____

When entering the U.S. from Canada travellers pass through U.S..Customs at their Canadian airport of origin. This process is known as preclearance. However, when travellers enter Canada from the U.S. they do not pass through Canadian customs until their arrival in Canada.

17a. From your own experience with travel between the U.S. and Canada would you say that the preclearance process is a benefit or hinderance to travellers?

__ benefit __ hinderance

Please describe the main reasons for your answer.

b. If preclearance was eliminated and replaced by post-clearance, would this be a benefit or inderance to travellers?

__ benefit __ hinderance

In some other countries customs procedures require that travellers pass through red or green channels where red indicates the traveller has items to declare and green indicates that they have nothing to declare.

18. Should such a system be established for travellers from Canada entering the U.S. and U.S. travellers entering Canada

__ yes __ no

Please briefly describe the reasons for your answer

19. Have you found that your clients have experienced difficulties with customs officers when they have entered or left either Canada or the U.S.

__ difficulties when entering Canada
__ difficulties when entering the U.S.
__ difficulties when leaving Canada
__ difficulties when leaving the U.S.

20. If you would like to make any additional comments about air aervice between the United States and Canada, please note them below.

THANK YOU FOR YOUR TIME AND ASSISTANCE

1. WHAT PROPORTION OF THE FREIGHT PASSING THROUGH YOUR OFFICE:

   A) ORIGININATES IN CANADA ___ %
   B) ORIG IN ALBERTA ___ %
   C) DEST FOR CANADA ___ %
   D) DEST FOR ALBERTA ___ %

2. WHICH CANADIAN AIRPORTS DO YOU USE THE MOST?

airport:	strengths:	weaknesses:
_____	_____	_____
	_____	_____
	_____	_____
_____	_____	_____
	_____	_____
	_____	_____
_____	_____	_____
	_____	_____
	_____	_____

3. WHICH U.S. AIRPORTS DO YOU USE THE MOST?

airport:	strengths:	weaknesses:
_____	_____	_____
	_____	_____
	_____	_____
_____	_____	_____
	_____	_____
	_____	_____
_____	_____	_____
	_____	_____
	_____	_____
_____	_____	_____
	_____	_____
	_____	_____

4. GIVEN THE STRENGTHS AND WEAKNESSES OF THE AIRPORTS YOU'VE MENTIONED, ARE THERE ANY OTHER NORTH AMERICAN AIRPORTS WHICH YOU EXPECT TO BECOME IMPORTANT POINTS FOR FREIGHT SHIPPERS DURING HE 1990'S, AND WHY DO YOU CONSIDER THESE AIRPORTS TO BE SIGNIFICANT?

_____

_____

5.

APPENDIX C:

FOCUS GROUP MODERATORS GUIDE AND PARTICIPANTS

FOCUS GROUP MODERATOR'S GUIDE

(Duration: 75 minutes
Format: Open discussion following Agenda
Notations: Flip chart & audio cassette)

Welcome and thanks for attendance.

1. INTRODUCTIONS Manecon Partnership
   Participants

2. PURPOSE OF GROUP
   - Project Overview
   - Tonight's Agenda
   - What we hope to achieve

3. ISSUES
   a) Airline Preferences
      - Agents and clients
      - Between U.S. points
      - Between Canada and U.S.
      - Between Canadian points
      - Influencing factors
      - Knowledge and use of Canadian carriers

   b) Air Traffic Systems
      - Hub and spoke strengths and weaknesses
      - Opportunities for improving
      - Opportunity/viability of Canadian carrier hub in U.S.
      - Foreign carriers between points in U.S.

   c) Demand
      - Knowledge and experience of Alberta product
      - Has availability of routes restricted travel to Alberta/Canada?
      - Is there seen to be sufficient demand already existing to justify additional routes?
      - Would more routes stimulate more demand?

   d) Customs
      - Strengths and weaknesses of current entry/exit procedures in Canada and U.S.
      - Opportunities for improvement to benefit travellers

4. SUMMARY AND CONCLUDING REMARKS

Warm Thanks to All
Distribution of Honorarium

AIR BILATERAL AGREEMENT

LOS ANGELES FOCUS GROUP PARTICIPANTS

Group A:

Mimi Rich
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& Tours
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Tarzana

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Tops & Travel
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Mary Folks
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Sherman Oaks

Teri Pierce
Corniche Travel
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Mary Kushner
Palladen Travel
Sherman Oaks

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Wanderworld Travel

Los Angeles

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L & M Travel Service
Los Angeles

Jean Simmons
Priority Travel
Encino

Bill Carrol
Certified Travel
Encino

Margorie Laflin
Valley Med Travel
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Sharlene Teichmann
Knollwood Travel
Grenada Hills

AIR BILATERAL AGREEMENT

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Charlemagne Travel
Encino

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Travel
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Travel
Encino

Marty Harper
World Corporate

Van Nuys

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Leia Basharel
Top Flight Travel &

Sherman Oaks

AIR BILATERAL AGREEMENT

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Leigh Kalna
Kalfar

Group B

Carol Conover
Harrison Marquis

Hassan Ramadan
Admiral Travel

Caroline Geddes
Ray Sorrell

Bill Lewis
AAA

Brian Pickett
Travel Associates

Ken Martin
Creative Travel